

DEPARTMENT OF TRANSPORTATIONDIVISION OF LOCAL ASSISTANCE, **MS 1**

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April 19, 2006

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions

Dear Executive Director:

Subject: Quarterly Review on Inactive Obligations

The Federal Highway Administration (FHWA) has revised its regulations relating to project authorization and agreements and the effect on obligations of Federal-aid highway funds under 23 CFR Part 630, effective March 2, 2006. These changes were made to provide a systematic process to monitor projects, to provide greater assurance that the amounts of Federal funds obligated on a project reflect the current cost estimate, and to assure that funds no longer needed are deobligated in a timely manner.

Major revisions are as follow:

1. The request for Federal funds shall be supported by a documented cost estimate.
2. A process shall be developed and maintained to adjust project cost estimates. Federal funds obligated shall be revised within 90 days after it is determined that the estimated Federal share of the project costs has decreased by \$250,000 or more.
3. Inactive projects with unexpended Federal obligations shall be reviewed on a quarterly basis and Federal funds obligated for a project shall be revised within 90 days to reflect the current cost estimate, based on the following criteria:
 - Projects inactive for the past 12 months with unexpended balances more than \$500,000,
 - Projects inactive for the past 24 months with unexpended balances of \$50,000 to \$500,000, and
 - Projects inactive for the past 36 months with unexpended balances less than \$50,000.
4. Failure to comply with these requirements will result in FHWA revising the project obligations, withholding payment, withholding approval of further projects or taking other such actions as deemed appropriate.

Headquarter Division of Local Assistance staff will be working with District Local Assistance Engineers and FHWA staff on the quarterly review of inactive projects.

To assist the local agencies in identifying their inactive projects, the Division of Local Assistance has posted reports on inactive projects under "Inactive Projects – Quarterly Review" on the Division of Local Assistance internet website at <http://www.dot.ca.gov/hq/LocalPrograms/>. Background and instructions on how to view the files are provided. The reports are also available for download. Please review the project list and provide information requested for each inactive project to the District Local Assistance Engineers by May 17, 2006.

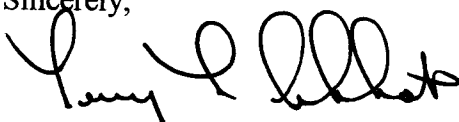
Consistent with the letter dated September 19, 2005, on Procedural Changes, Local Agencies should submit invoices for eligible costs, deobligate excess funds not needed and submit final invoices for projects that have been completed. Funds that are deobligated may be used to fund other projects.

In addition to the list of current inactive projects, Division of Local Assistance also provided a "look ahead" report that includes projects that will become inactive in a six (6) month period if no action is taken. This report provides an opportunity for the Local Agencies to be proactive in managing their projects and to prevent additional projects becoming inactive.

Division of Local Assistance will also be updating the procedural manual to reflect changes to comply with the final rulemaking. The revision will be distributed in the very near future.

Please contact Laura Quintana at 916-653-7200 if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry L. Abbott", written over a horizontal line.

TERRY L. ABBOTT

Chief

Division of Local Assistance

- c: District Local Assistance Engineers
- Deputy District Directors for Local Assistance
- Laura Quintana
- Denix Anbiah
- Yin-Ping Li